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FEB 1 1974

The Honorable H. R. Gross
 House of Representatives

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Dear Mr. Gross:

On July 20, 1973, you requested an audit of the use of Federal funds to pay the salaries of certain employees of the State of Minnesota. D 2341

We directed our review toward determining whether the use of Federal funds for salary payments to members of the Governor's staff was authorized under the various Federal programs involved and whether the time spent by members of the Governor's staff on Federal program activities was commensurate with salary charges to the Federal grant programs. The review included the period from January 4, 1971, when the current Governor took office, through August 21, 1973, the most recent period for which payroll records were available at the time of our fieldwork. Primary emphasis was placed on those Federal programs in effect at the time of our review.

The lack of detailed time allocation records was a limiting factor in the scope of our review. We did, however, examine payroll and other financial records, personnel files, and grant and other program documents and interviewed selected State employees. We reviewed selected audit reports issued by the Minnesota Public Examiner, the Department of Labor, and the Department of Commerce. We discussed the matters in this report with State and Upper Great Lakes Regional Commission officials.

The payroll processed through the Governor's office included some persons who are not on the Governor's staff but are paid through the Governor's office because responsibility for the programs is vested in the Governor's office. Our review was restricted to persons actually on the Governor's staff.

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During the payroll period ended January 12, 1971, 30 people were on the Governor's staff; one of these was paid from Federal funds. For the payroll period ended August 21, 1973, the Governor's staff included 40 people, of whom 17 were paid through Federal programs.

It appears that the increase in the size of the Governor's staff from 1971 to 1973 was due primarily to State participation in additional Federal programs which required staffing at the State level. A schedule of Federal funds used for staff salaries during the fiscal years 1971-73 is shown below.

<u>Source</u>	<u>Amount</u>		
	<u>1971</u>	<u>1972</u>	<u>1973</u>
Upper Great Lakes Regional Commission	\$24,427	\$ 47,818	\$ 57,598
American Revolution Bicentennial Commission	-	-	29,754
Department of Health, Education, and Welfare--Human Services grant	-	-	72,392
Department of Labor--Emergency Employment Act	-	12,476	24,989
Council on Developmental Disabilities	4,284	19,234	-
President's Council on Youth Opportunity	9,580	8,290	-
Migrant Coordinator Program	-	15,625	-
Total	<u>\$38,291</u>	<u>\$103,443</u>	<u>\$184,733</u>

The payment of staff salaries was authorized under all the Federal programs in effect. Because of a lack of records, we could not determine conclusively whether the salary charges to the grants were commensurate with the time spent on the various programs. Although we did not find any significant evidence that time spent by employees on Federal program activities was not commensurate with salary charges to the Federal programs, we noted that for two of the programs the full salaries of some persons were charged to the programs although they also performed functions which were more directly related to the Governor's office.

Most employees had no formal job descriptions, and all employees were not required to, and did not, prepare time reports or other records which would show how much time they spent on a Federal program. Consequently, we had to rely primarily on personal interviews with these employees for information as to the duties and actual use of time. In some instances, corroborating evidence was provided by interviews with other staff members and by correspondence or other documentation which identified the employee with a Federal program.

UPPER GREAT LAKES
REGIONAL COMMISSION

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2 The Upper Great Lakes Regional Commission was formed in 1967 under title V of the Public Works and Economic Development Act of 1965 (42 U.S.C. 3181). Its purpose is to foster economic development in a 119-county area of northern parts of Michigan, Minnesota, and Wisconsin. The Commission consists of the Governors of the three States or their designates and a Federal Cochairman. The grants included in our review were for planning the State's economic development.

The amounts of the grants and the amounts actually spent on salaries for fiscal years 1971-73 were as follows:

	<u>Grant amount</u>	<u>Expenditures</u> <u>Staff salaries</u>
1971	\$ 65,000	\$ 24,427
1972	75,000	47,818
1973	<u>110,000</u>	<u>57,598</u>
	<u>\$250,000</u>	<u>\$129,843</u>

The payment of staff salaries was authorized under the terms of the grants. However, three of the four current staff members, whose full salaries were charged to the grant, said they did not work full time on Commission business. Two of them estimated that they spent about 25 percent of their time on Commission work while the third estimated 35 percent of his time was on Commission work.

The Governor's executive secretary said a number of employees spent part of their time on Commission business and that he had decided, for convenience, to charge the grant with three full-time salaries rather than to charge a portion of each individual's salary. He said he had informed the Commission of this decision and they had not objected.

The Governor's executive secretary estimated that 20 percent of his own time was spent on Commission business. We interviewed five other employees who were identified by the executive secretary as spending part of their time on Commission business without salary charges to Commission funds. Interviews with these individuals indicated that the work performed relating to the Commission was occasional in nature, but we were not able to estimate their total Commission business time because three of them could not provide us with reasonably accurate estimates.

Because of the absence of time records, we were not able to substantiate any of the estimates made or develop more concrete information on the actual Commission business time. Also, we noted that the grant guidelines are rather general and do not require the grantee to keep detailed time allocation records.

We discussed our findings with the Special Assistant to the Federal Cochairman. He said:

--He thought the Commission was getting its money's worth from the State grants.

--The Commission often received help from State agencies outside the Governor's office at no cost.

--The Commission was intended as an early step toward revenue sharing, and the States should run their programs as they saw fit, with a minimum of restrictions.

The Department of Commerce Office of Audits completed an audit of the Commission in 1973. The report, issued in February 1973, made two recommendations which, if implemented and if steps are taken to record time charges to Federal

grants, should result in better controls over grant funds. These recommendations were that

- the Commission obtain detailed support for cost items included in proposed contract or grant budgets and determine and document the reasonableness of these proposed costs before contract or grant award and
- final payment for cost-type contracts and grants be withheld until allowable costs are determined.

The Federal Cochairman advised the Office of Audits that he would initiate appropriate corrective action on both recommendations.

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3 AMERICAN REVOLUTION
BICENTENNIAL COMMISSION

The American Revolution Bicentennial Commission was established in 1966 to plan, encourage, develop, and coordinate the commemoration of the 200th anniversary of the American Revolution scheduled for 1976. The Commission is authorized to provide matching grants to States for specific projects. In addition, the Congress approved a 2-year program of non-matching grants of \$45,000 a year for each State to assist in establishing and organizing State bicentennial commissions.

Minnesota received grants of \$45,000 each for fiscal years 1973 and 1974 to establish and organize its commission. In 1973 expenditures totaled \$34,037, of which \$29,754 was for staff salaries.

The grant guidelines specifically provided for staffing the State commission. The approved application for fiscal year 1973 specified that the staff would consist of an administrator, an assistant administrator, and a secretary. The salaries actually charged to the grant were for these positions. At the time of our review, the administrator was charging 50 percent of his salary to the grant and the assistant administrator and secretary were charging 100 percent of their salaries to the grant.

We were unable to conclusively determine whether the time spent by employees on this program was commensurate with salary charges. However, interviews with staff members whose salaries were charged to the grant did not disclose any evidence to the contrary, with one exception. The employee filling the secretary's position at the time of our review, who is a secretary in the Governor's press office, estimated that 30 percent of her time was spent on commission work, even though her entire salary was charged to the Federal Commission grant.

HUMAN SERVICES GRANT

The State of Minnesota received a 2-year grant in the amount of \$150,000 a year for fiscal years 1973 and 1974 from the Department of Health, Education, and Welfare. The grant was to establish, within the office of the Governor, the capability for influencing Federal, State, and local government processes toward merging human services delivery efforts. Total expenditures by the State for fiscal year 1973 were \$136,852, of which \$72,392 was for salaries.

The payment of staff salaries is authorized under the grant. As in the case of the other programs previously discussed, we could not conclusively tell whether time contributions were commensurate with salary charges. However, in our interviews with employees and our review of program records and reports, we did not find any evidence to the contrary.

EMERGENCY EMPLOYMENT ACT

The Emergency Employment Act of 1971 (42 U.S.C. 4871) is designed to provide unemployed and underemployed persons with transitional jobs providing needed public services during times of high unemployment. The Department of Labor initially allocated about \$7.2 million for State jobs throughout the State of Minnesota.

In fiscal years 1972 and 1973, staff salaries for persons within the Governor's office being paid from Federal funds under this program totaled \$12,476 and \$24,989, respectively. During this time seven persons were employed at one time or another in such positions as administrative assistant,

information officer, and clerk-typist. The personnel files for these participants did not show any Federal requirements violation.

DISCONTINUED PROGRAMS

Staff salaries were paid for three additional Federal programs during the period covered by our review. However, participation by the Governor's office in these programs was terminated before fiscal year 1973. These programs were the

- Council on Developmental Disabilities,
- President's Council on Youth Opportunity, and
- Migrant Coordinator Program.

Staff salaries of about \$57,000 were paid from these three sources for fiscal years 1971 and 1972. Because these programs were no longer under the Governor's office and because of the relatively small amounts of funds involved in fiscal years 1971 and 1972, we limited our review of these programs to examining payroll records and interviewing present staff members whose salaries had been charged to these programs. We did not find any evidence of improper salary payments.

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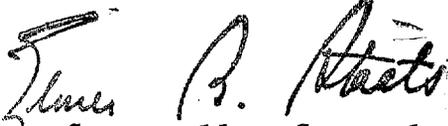
Although we did not submit this report to the Federal agencies involved or to the State of Minnesota for formal review or comments, we discussed the subject matter with Federal officials and representatives of the State of Minnesota and considered their views in preparing it.

We are sending similar reports to Congressman Bill Frenzel who also asked our Office to review these matters and to Congressman Joseph A. Karth who requested that a report be addressed to him.

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We do not plan to distribute this report further unless the addressees agree or publicly announce its contents.

Sincerely yours,


Comptroller General
of the United States